The State of New Hampshire
DEPARTMENT OF ENVIRONMENTAL SERVICES

Thomas S. Burack, Commissioner

March 8, 2007

The Honorable Naida L. Kaen, Chairman
House Science, Technology, and Energy Committee
Legislative Office Building, Room 304
Concord, NH 03301

Re: HB 873 relative to establishing minimum renewable standards for energy portfolios

Dear Chairman Kaen and Members of the Committee:

The Department of Environmental Services (DES) is pleased to testify in support of House Bill 873, which establishes minimum renewable energy standards for energy portfolios, also commonly referred to as a renewable portfolio standard (RPS). The RPS is a flexible, market-driven policy that can ensure that the environmental and other public benefits of wind, solar, biomass, and geothermal energy continue to be recognized as electricity markets become more competitive. The policy ensures that a minimum amount of renewable energy is included in the portfolio of electricity resources serving a state and, by increasing the required amount over time, the RPS can put the electricity industry on a path toward increasing sustainability. Because it is a market standard, the RPS relies almost entirely on the private market for its implementation. Market implementation will result in competition, efficiency, and innovation that will deliver renewable energy at the lowest possible cost. Currently there are 23 states plus the District of Columbia that have RPS policies in place. Together these states account for more than 42% of the electricity sales in the United States.

A RPS requires each supplier of electricity (i.e., Public Service Company of New Hampshire, Unitil, National Grid, and New Hampshire Electric Cooperative) to obtain renewable energy certificates for a certain percentage of the power (measured in megawatt hours, MWhrs) that they ultimately supply to customers. Each renewable energy certificate (REC) represents one MWh (or 1,000 kilowatt hours) of power generation from a renewable energy source such as biomass or wind. RECs for renewable electric energy meeting New Hampshire RPS requirements would be recorded, on behalf of the State, by the administrator of the Independent System Operator (ISO) for New England and tracked in the ISO Generation Information System (GIS), which is used to document the renewable attributes of electrical generation in New England. The ISO GIS currently fulfills similar administrative functions for renewable energy generated for RPS in all other New England states.

The University of New Hampshire's Whittemore School of Business and Economics recently conducted an analysis (the UNH study) of the impact of the proposed bill on New Hampshire ratepayers and the economy. The UNH study concluded that although there would be modest costs incurred in the short term, overall there would be a net positive economic and environmental benefit. A New Hampshire RPS would also provide a hedge against the price volatility of natural gas and other sources of energy price volatility, help diversify the State's

power generation, reduce dependency on imported sources of fuel, increase the potential for new renewable energy development within the State, and help facilitate the efficient use of existing renewable energy resources. The UNH study forecasts the creation of 1,100 new full-time jobs and the generation of $1 million in revenue annually by 2025 as a result of this bill. The UNH model demonstrates that New Hampshire ratepayers would likely see less than a 2% increase in rates or less than $1.25 per month per household; however, this projection does not account for any potential reduction in regional energy prices as a result of reduced demand for natural gas (and modulation of price volatility) due to the development of local renewable energy resources.

Implementing a renewable portfolio standard (RPS) for New Hampshire is good energy policy, as it makes sense both economically and environmentally. Producing energy from renewable resources reduces the overall amount of greenhouse gas emissions that contribute to climate change and forms of air pollution such as particulate matter and sulfur dioxide. An RPS will contribute to long term energy price stability, expand energy sources, create new energy technology jobs, and improve economic development in New Hampshire, while reducing reliance on imported energy and avoiding associated price spikes. An RPS will also create incentives for renewable energy infrastructure investment, keeping New Hampshire energy investment dollars in New Hampshire. This legislation, through the market signals it sends, will begin the process of creating a long term energy "insurance policy" for New Hampshire energy ratepayers.

The proposed bill is the result of an extensive stakeholder process that began last session with Senate Bill 314 and continued into this year's legislative session. Stakeholders included electric utilities, renewable energy producers (hydroelectric, solar, biomass, etc.), environmental interests, and implementing regulatory agencies. DES believes the current bill language strikes a reasonable compromise that all stakeholders can support. An RPS provides a competitive environment for less polluting renewable resources, sends a positive market signal to investors in renewable energy projects, and safeguards long term energy rates.

DES looks forward to continuing to work with the sponsors and supporters of this bill to motivate development of renewable energy resources in New Hampshire and the region. Thank you for the opportunity to provide testimony. Should you have further questions or need additional information please feel free to contact Robert R. Scott, Director, Air Resources Division (271-1088, rscott@des.state.nh.us) or Joanne Morin, Administrator Technical Programs (271-5552, jmorin@des.state.nh.us).

Sincerely,

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Michael Walls, Asst. Comm.

For Thomas S. Burack
Commissioner

cc: HB 873 sponsors